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|  | **REP/LSE/QSE** | **Customers** | **ERCOT** | **3rd Party DRP** | **All Loads** |
| **LIS v1 for REPs**  1 MW DR dispatched at $1000/MWh | Places Bid to Buy -1 MW for $1000 | Reduces consumption by 1 MW | Estimates total actual load reduction using smart meter data (1 MW) |  |  |
| Benefits from reduced consumption when LMP is high. Enables price-certainty for load reduction. | Financial impact depends on contract with REP | Total ERCOT load served is 1 MW lower, and clearing price could be lower |  |  |
| **LIS v2 for DRPs**  1 MW DR dispatched at $1000/MWh | Receives +1MW load adjustment | Reduces consumption by 1 MW | Estimates total actual load reduction using smart meter data (1 MW)  Adds estimated aggregate load reduction back to REP load obligation (1 MW) | Places Offer to Sell 1 MW for $1000 |  |
| Receives credit at proxy $G ($200) to compensate for lost retail sale; is responsible for added 1 MW of load at LMP, to the extent it is not hedged | Financial impact depends on contract with REP | Pays DRP at LMP-Proxy $G: for example,  $1000 - $200 = $800;  Is paid LMP – Proxy $G by short REPs | Gets paid at LMP minus Proxy $G:  $1000 - $200 = $800 |  |
| **Simplified**  **LIS v2 for DRPs**  1 MW DR dispatched at $1000/MWh | ERCOT load obligation is reduced by customer DR response, 1 MW reduction | Reduces consumption by 1 MW | ERCOT bills on REPs’ customers’ actual loads | Places Offer to Sell 1 MW for $1000 | 1 MW mismatch between demand and resources supplied |
| Benefits from reduced consumption when LMP is high. If REP is fully hedged, load reduction represents additional cost reduction | Financial impact depends on contract with REP and DR provider | Pays DRP at LMP-Proxy $G:  $1000 - $200 = $800 | Gets paid at LMP minus Proxy $G:  $1000 - $200 = $800 | Cost of 1 MW ($800) is uplifted to Loads |